

Directors and Connected Person Examples

Example 1: Mr X who is a director owns 50% of Company A and 100% of Company B

- Company A is a connected person of Company B and vice versa. Therefore all transactions with this entity must be disclosed.

Example 2: Mr X a director gets paid €100k from Company A. Company A also employs his adult son, Mr Y pays him €25,000

- Disclosures in the financial statements with regard to directors remuneration should disclose the €125k (can put a disclosure note to state that included within the amount is amounts paid to the directors children and specify the amount if preferred).
- Any transaction other than wages with Mr Y should also be disclosed.

Example 3: Mr X, is a director of Parent A and also a director of Subsidiary B which is 100% owned by Parent A. Does transactions with this company need to be disclosed?

- No as Schedule 3 paragraph 67(3) confirms that transactions with wholly owned group companies are not required to be disclosed. If this were a 99% subsidiary then transactions would need to be disclosed.

Example 4: Mr X a director of Parent A and subsidiary B which is 100% owned. During the year Sub B paid Mr X for his services to Parent A but did not recharge this. Disclosure should be made in the parent financial statements of the fact that Mr X has a contract of service with Sub B and the costs are not recharged by Sub B to Parent A, disclosure should also be given of the wage paid to Mr X for his services to Parent A.

Example 5: Mr X owns 100% of Company A which in turn owns 100% Company B. Company A has Mr X on the books as an employee and pays €100,000 for his services to both companies. €20,000 of this relates to services provided for Company B which is recharged to Company B.

- In Company A's financial statements it should disclose directors remuneration as €80,000.
- In Company B, it should disclose directors' remuneration of €20,000 and detail the fact that the contract of service is with a related company and costs are recharged.
- If Co. B was only 95% owned by Co. A then the same disclosure would be required but in addition all transactions with Co. B would also have to be disclosed.
- If we take this example and this time assume that a management charge is made but the wage element could not be determined this fact would need to be disclosed in Co. B as well as disclosing the total management charge recharged.

Example 6: Mr X is a director who owns 100% of Unlimited Company A, an unlimited company which in turn owns Company B, a limited liability company. Unlimited Company A employs the director and recharges his costs on a cost plus basis.

- In Company B disclosure must be made in the financial statements of the management recharge from Unlimited Company in relation to his remuneration and this should be disclosed as directors' remuneration. Transaction between both of these companies other than this are not required to be disclosed as it is 100% owned within the group (Schedule 3 para 65(3) of CA 2014 refers and the small companies regime Schedule 3A para 55 of CA 2014 refers).
- If Co. A was owned by Mrs X, Mr X's wife or his children then the same answer would be arrived at.

Example 7: Mr X and Mrs X are married. Mr X owns 25% of Company A and Mrs X owns 25% of Company B –

- Any transactions between these two companies are not considered related party transactions as neither party controls either company (i.e. they own less than 50% of the ordinary share capital).
- If Mr X also owned 26% of Company B, then in the books of Company B transactions would need to be disclosed but not in Company A as it is not controlled by Mr X.

Example 8: Where shares are held in trust for a shareholder, then transactions with that shareholder should be disclosed.

Example 9: Mr X owns 100% of Co. A. Mr X also runs a business as a sole trader which is a completely different business than the business of the company. Co. A loans money to the sole trader business.

- The transaction with Co. A is a related party transaction as effectively the sole trader business is Mr X.
- Therefore disclosure required in the financial statements in relation to this loan and disclosure requirements of S.307. Disclosure would also be required if this was a loan to Co. A under S.309.
- Also comes within remit of S.239 and depending on its level may be in breach of S.239. Disclosure required of normal trade transactions also if these were entered into between both parties.
- If the transaction with Co. A and the sole trader business was carried out in the ordinary course of business then may not come within the remit of S.239/S.240.

Example 10: Mr X and Mr Y is in partnership and runs a business. Mr X owns 100% of Co. A. The business run in partnership is completely different that the business carried out in the Co.

- Any transactions with these two entities must be disclosed in the financial statements. Funds advanced to the partnership will come within the remit of S.239.

Example 11: Mr A is a director of Co. A and Co. B but does not own any shareholding in either of these companies.

- No disclosure required in the financial statements of any transaction entered into between the two companies as the directors do not own 50% or more of either company

Example 12: Mr X owns 100% of Co. A and 50% of Co. B. Any transaction between both of these companies is a related party and requires disclosure in both sets of financial statements.

- Comes within the remit of S.305-S.309 and S.239.

Example 13: Company B provides directors to Company C. There is no related parties in each of these companies. Company B invoices Company C.

Under Section 305(A) CA 2014 the remuneration charged by Company B to Company C must be disclosed.